

**LIMITED SCOPE AUDIT OF DISASTER REPORTING
THROUGH THE FEDERAL PROCUREMENT
DATA SYSTEM – NEXT GENERATION
REPORT NUMBER A070101/Q/R/P07003
MARCH 30, 2007**



Date: March 30, 2007

Reply to: R. Nicholas Goco
Attn of: Deputy Assistant Inspector General for Real Property Audits (JA-R)

Subject: Limited Scope Audit of Disaster Reporting Through the
Federal Procurement Data System – Next Generation
Report Number A070101/Q/R/P07003

To: Molly A. Wilkinson
Chief Acquisition Officer (V)

This report presents the results of our limited scope audit of disaster reporting through the Federal Procurement Data System – Next Generation (FPDS-NG). The main focus of our review was to determine if FPDS-NG provides an accurate reporting of Federal procurements related to the response and recovery of Hurricane Katrina. We found that FPDS-NG has been challenged to provide timely and accurate data for procurements related to the response and recovery of Hurricane Katrina. However, actions are being taken to improve the reliability and timeliness of the data.

Background

The Federal Procurement Data System (FPDS) was established in accordance with the Office of Federal Procurement Policy Act, as amended, 41 USC 401 et seq. Executive departments and agencies are responsible for collecting and reporting procurement data to FPDS as required by Federal Acquisition Regulations (FAR). The data is used to measure and assess the impact of Federal procurement on the nation's economy, socio-economic business goals, the impact of competition on procurements, and other aspects of procurement policy.

In October 2003, the Federal Procurement Data System - Next Generation (FPDS-NG) was implemented to replace the original, 26 year old FPDS. The General Services Administration's (GSA) Federal Procurement Data Center oversees the operation of FPDS-NG by a contractor that owns the system. The modernized system was expected to enhance the quality and reliability of the procurement data since the data was to be directly downloaded from agencies' contract writing systems into FPDS-NG.

Because it is extremely important that data contained in FPDS-NG is accurate, complete, and submitted in a timely manner, contracting offices are expected to submit complete and accurate data on contract actions to FPDS-NG within three (3) workdays after contract award. In addition, the Office of Federal Procurement Policy (OFPP) requires that each agency certify annually that all data is valid and complete.

Over the years, the FPDS has been criticized for its imperfect data collection functions. In past reports¹, the Government Accountability Office² (GAO) identified issues with the

¹ "The Federal Procurement Data System – Making It Work Better"; GAO Number PSAD-80-33, dated April 18, 1980; "OMB and GSA: FPDS Improvements"; GAO Number GAO/AIMD-904-178R,

accuracy, completeness, and timeliness of data in the system. In 2005³, after the GSA had updated the system to FPDS-NG, GAO again faulted the system because users said they lacked “confidence in the system’s ability to provide timely and accurate data.” In March 2006, the GSA Office of Inspector General (OIG) also reported on data issues related to the migration from FPDS to FPDS-NG⁴.

The reliability of FPDS-NG’s data is even more important now that the data will likely be used to meet the Federal Funding Accountability and Transparency Act (the Act) of 2006. The purpose of the Act is to: (1) provide the public with the ability to look at spending across Federal agencies; (2) improve the transparency of the Federal spending processes; and (3) build the public’s trust in government. To accomplish this, the Office of Management and Budget (OMB) has been tasked to lead the development, by January 2008, of a single searchable website, accessible by the public for free with information for each Federal award including grants, sub-grants, loans, cooperative agreements, other forms of financial assistance, contracts, subcontracts, purchase orders, task orders, and delivery orders⁵.

To meet the Act’s reporting requirements, it is anticipated that existing databases, including FPDS-NG, will be used to provide much of the data⁶. However, significant system modifications to these databases are not anticipated. The implementation of the Act may also close gaps in procurement data that FPDS-NG was not intended to capture. For example, the Electronic Subcontracting Reporting System, which is linked to FPDS-NG, is used to collect subcontracting information, but recently GAO reported that data on some Hurricane Katrina subcontracts was not available⁷. In implementing the Act, a pilot program to collect subcontracting data is going to be implemented through the FAR and as a result, the reporting requirements for all subcontracting will be expanded.

Objective, Scope and Methodology

The primary focus of our review was to determine if FPDS-NG provides an accurate reporting of Federal procurements related to response and recovery efforts for Hurricane Katrina.

To accomplish our audit objective we interviewed GSA employees, as well as employees from other agencies, who were familiar with FPDS-NG. To gain an understanding of FPDS-NG we reviewed: (1) the FPDS-NG User’s Manual; (2) GAO, Department of Homeland Security (DHS), and GSA OIG audit reports; and (3) various articles addressing

dated August 19, 1994; “Reliability of Federal Procurement Data”; GAO Number GAO-04-295R, dated December 30, 2003.

² Formerly known as the Government Accounting Office.

³ “Improvements Needed to the Federal Procurement Data System – Next Generation”; GAO Number GAO-05-960R, dated September 27, 2005.

⁴ “Review of the Federal Procurement Data System – Next Generation (FPDS-NG)”; GSA Report Number A040127/O/T/F06016, dated March 30, 2006.

⁵ Per the Act, exclusions are provided for: an individual recipient of Federal assistance; a Federal employee; transactions below \$25,000; and a grant, loan or contract of a nature that could be reasonably expected to have national security considerations.

⁶ FPDS-NG does not provide information on grants, sub-grants, cooperative agreements, loans, other forms of financial assistance, and subcontracts.

⁷ “Hurricane Katrina: Agency Contracting Data Should be More Complete Regarding Subcontracting Opportunities for Small Businesses”; GAO Report Number GAO-07-205, dated March 1, 2007, pages 20-21.

the subject. Finally, we analyzed Hurricane Katrina contract actions reported in FPDS-NG, at varying intervals, beginning in October 2005 and ending in September 2006.

Audit fieldwork was performed between January and March 2007. The limited scope audit was performed in accordance with generally accepted Government auditing standards.

Results of Review

FPDS-NG has been challenged to provide timely and accurate data for procurements related to the response and recovery of Hurricane Katrina. Although initially there was no way to track these procurements in the system and the data from agencies playing a large role in the response and recovery efforts was not being loaded directly into FPDS-NG, actions are being taken to improve future data reliability.

FPDS-NG's Reporting of Hurricane Katrina Procurements

FPDS-NG has been challenged to provide timely and accurate data for procurements related to the response and recovery of Hurricane Katrina. Until recently, it appears that the data has been untimely. For example, Federal Emergency Management Agency (FEMA) contracting records showed that as of October 21, 2005, \$3.7 billion in contracts had been awarded to support the Federal response to Hurricane Katrina. However, according to FPDS-NG on October 24, 2005, the data showed only \$608 million in contract awards for the entire Federal government. In fact, as of September 29, 2006, almost one year later, according to FPDS-NG, the total amount of contracts awarded by all Federal agencies in response to Hurricane Katrina was only \$2.75 billion. Further, as of February 15, 2007, FPDS-NG reported \$15.4 billion in Federal contracts for Hurricane Katrina. This \$12.65 billion increase represents a 5-fold increase over a five-month period.

Some of the data also is also incomplete and inaccurate. For example, according to FPDS-NG as of December 30, 2005, GSA was reporting \$578 million in contract awards in response to Hurricane Katrina; however, at the time, GSA was reporting over \$1 billion in awards based on procurement tracking logs that were manually compiled. Although not all types of transactions included in the report are reported to FPDS-NG⁸, the disparity indicates that the data was not complete. In addition, there were inaccuracies in some of the GSA contract data itself. For example,

- On one contract, a \$30 million modification was never input into FPDS-NG;
- Another contract had a total contract value of \$1,894,445; however, the value for the modifications is double counted in FPDS-NG resulting in a reported contract value of \$3,147,925.
- A contract for \$1,748,500 was input into FPDS-NG three times.

Contract Reporting and Tracking

The timeliness and accuracy issues surrounding the reporting and tracking of the Hurricane Katrina procurements have occurred because initially there was no way to separately track disaster procurements in the system and because data was not being loaded directly into FPDS-NG in real time from contract writing systems.

⁸ The report includes some interagency transactions that are not reported through FPDS-NG. The data used for the reporting identify \$151 million as interagency transactions.

Disaster Tracking

When Hurricane Katrina struck, there was no requirement for FPDS-NG to identify and track disaster procurements. The system had no coding to distinguish disaster procurements from a normal everyday procurement. In the aftermath of Hurricane Katrina, GSA issued interim guidance until a new data field called the National Interest Action (NIA) code was created in October 2005 to enable the tracking and reporting of spending on hurricanes and other national emergencies by identifying awards made in response to specific events through a drop-down menu. After the NIA code was introduced, contract writing systems had to be modified to add the data field.

To date, this field has only been used for hurricanes. When introduced, the NIA codes were to be created to track and report contracts for natural disasters, terrorist attacks, or other matters of national interest. Currently, the criteria to determine when an event would require a new NIA code are under review.

Contract Data Input

When FPDS-NG was implemented, it was envisioned that agencies and departments would connect to the system through contract writing systems and thus, improve the accuracy, completeness, and timeliness of the data. However, the procurement data from agencies playing a large role in the response and recovery efforts was not being downloaded directly into FPDS-NG through contract writing systems and, in some cases, the data was being entered into the system manually.

According to FPDS-NG as of February 2007, the Department of Homeland Security (DHS), the Department of Defense (DOD), and GSA were responsible for the majority of the Hurricane Katrina contracts being reported in FPDS-NG. Together, they made up \$14.6 billion of the \$15.4 billion being reported. However, these agencies initially were not reporting Katrina contract data into FPDS-NG.

For example, DHS' reported contract awards increased from \$1.3 billion to \$8.5 billion from September 2006 to February 2007. According to a DHS representative, the FEMA was overwhelmed and reporting requirements were by-passed as the reporting requirements in the contract writing systems were overridden or in some cases the contract writing system itself was not used and procurements were made and tracked using paper-based processes. When the contracts were initially input into the system, they were not coded using the NIA. FEMA has since reviewed data and made corrections. Further, in July 2006, the DHS Office of Inspector General (OIG) reported⁹ on the need for DHS contracting writing systems to download information directly into FPDS-NG as the contract data was being downloaded into a central feeder system that transferred the data to FPDS-NG or was being manually input into the FPDS-NG system. DHS has since been linking its contract writing systems directly to FPDS-NG.

In addition, DOD's reported contract awards in FPDS-NG increased from \$0 to \$5.4 billion from September 2006 to February 2007. Since FPDS-NG was introduced, DOD has been gradually transitioning to directly reporting through its contract writing systems to FPDS-NG. As a result, data for fiscal years 2005 and 2006 had to be transferred into FPDS-NG; however, this was not complete until December 2006. DOD's contract writing systems should be reporting directly to FPDS-NG before the end of fiscal year 2007. When DOD is

⁹ "DHS' Management of Automated Procurement Systems Needs Improvement"; DHS Report Number OIG-06-46, dated July 2006.

fully transitioned, the details on DOD transactions will be subject to a 90-day delay for national security reasons.

Lastly, the accuracy and completeness issues regarding GSA's reporting of Hurricane Katrina procurements are the result of manual data entry. Although GSA downloads procurement information from its contract writing systems into FPDS-NG during its routine day-to-day operations, it does not do so when providing contracting support to FEMA during disasters and emergencies¹⁰. These contracts are input into FPDS-NG manually and as such are subject to data entry errors and omissions. Manual data entry is inefficient and is prone to errors as the data is entered more than once and since the data was only being reported and not used subsequently, there was little chance that errors would be caught without additional levels of checks and controls. In response to a prior GSA OIG report¹¹, GSA, in conjunction with FEMA, is to explore the feasibility of an information system to capture disaster procurements.

Conclusion

This report examined issues with the reliability and timeliness of disaster procurement data. Overall, data reliability is dependent on agencies having a vested interest in ensuring the accuracy and timeliness of the procurement data and improving their processes to achieve these benefits.

On March 9, 2007, OMB established requirements for agencies to verify and validate the accuracy and timeliness of their data being entered into FPDS-NG. Quality control at the collection end would provide a further safeguard for data accuracy. Based on these efforts as well as the recommendations in our prior report on Hurricane Katrina, we have no additional recommendations.

Management Comments

In the March 30, 2007 e-mail response, management generally concurred with the report. See Appendix A for the comments from the e-mail.

Management Controls

As discussed in the Objective, Scope and Methodology section of this report, the review focused on aspects of the FPDS-NG reporting for procurements related to Hurricane Katrina. Related management control issues are discussed in the context of this review.

If you have any questions regarding this report, please contact me on (202) 219-0088.

R. Nicholas Goco
Deputy Assistant Inspector General
For Real Property Audits

¹⁰ Under Emergency Support Function #7 of the National Response Plan, GSA acts as a procurement agent for FEMA during incidents of national significance. GSA personnel place orders and award contracts for FEMA and handle contract administrative functions, such as contract modifications and closeouts. FEMA pays contractors for the supplies and services rendered. When GSA personnel demobilize, any open contracts are transferred to FEMA.

¹¹ "Audit of GSA's Response to Hurricane Katrina"; GSA Report Number A060055/A/R/F07009, dated February 26, 2007.

APPENDIX A

Limited Scope Audit of Disaster Reporting Through the Federal Procurement Data System – Next Generation Report Number A070101/Q/R/P07003

Management Comments

Below is the official management comments to this report from Teresa Sorrenti, Director, Office of Acquisition Systems, Office of the Chief Acquisition Officer, in her March 30, 2007 e-mail response:

Thanks for another opportunity to review the report. While I appreciate the fact that it is basically favorable and has no actionable recommendations for GSA, there are still some areas that can create misunderstandings.

Page 2 still states that GAO "...reported on the lack of information related to Hurricane Katrina subcontracts". The issues raised in that report dealt with file documentation, contracting officer decisions and vendor compliance in reporting. It had no relevance to FPDS nor the eSRS system per se and is therefore not relevant to this report.

Page 3 last section discusses the inability to track the disaster transactions as a shortcoming. FPDS collects and reports data that has been required by the FAR or OFPP. There has never been a requirement to collect "disaster procurements". In addition it is not altogether true that there was no way to distinguish them from "normal everyday procurements". Not only are many of them "urgent" but indicate funding by FEMA.

Page 4 (top) "As a result, GSA had to issue interim guidance..." again reads as if this was a shortcoming. It would be more correct to say "GSA was able to issue interim guidance to fill the new need for information" until the new field was added. The second paragraph mischaracterizes the intent of the NIA field. It was never intended to have a code for "each national emergency", but to list those deemed necessary/appropriate for tracking. For your information, FEMA has been delegated responsibility for setting this criteria and we are awaiting their report.

Page 4 has a typo of FDPS

Page 4 last paragraph states DOD will be reporting direct by April 2007. DOD recently reported to OMB that DLA reporting will not be done until the end of 3rd Qtr due to technical issues at their end.

Page 5 describes the "feasibility of an information system to capture disaster procurements". We are unaware of any such plans and would resist creation of yet another reporting system. The only effort underway is one where FEMA would require all Emergency Contracting support staff from other agencies to utilize the FEMA Contract Writing System. We have advised FEMA that designated staff from other agencies need to receive training in the use of the FEMA system prior to any deployment as it would differ from whatever system they use in their home agencies.

APPENDIX B

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